United Nations S/2010/308

Security Council

Distr.: General
10 June 2010

Original: English

Letter dated 18 March 2010 from the Permanent Representative of Iraq to the United Nations addressed to the President of the Security Council

I have the honour to transmit herewith a letter addressed to you from H.E. Hoshyar Zebari, Minister for Foreign Affairs of the Republic of Iraq (see annex), together with its enclosure, the first quarterly report of the Government of Iraq regarding the action plan and timeline for the transition to successor arrangements for the Development Fund for Iraq and the International Advisory and Monitoring Board by 31 December 2010.

I have further the honour to request that the present letter and its annex be circulated to the members of the Security Council and issued as a document of the Security Council.

(*Signed*) T. Hamid **Al-Bayati**
Ambassador Extraordinary and Plenipotentiary
Permanent Representative

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Annex to the letter dated 18 March 2010 from the Permanent Representative of Iraq to the United Nations addressed to the President of the Security Council

I should like to refer to Security Council resolution 1905 (2009), paragraphs 4 and 5, which call upon the Government of Iraq to put in place an action plan and report to the Security Council on a quarterly basis, with the first report no later than 1 April 2010, to provide an action plan and timeline for the transition to a post-Development Fund mechanism.

I have the pleasure to transmit to you herewith the first quarterly report of the Government of Iraq, which contains the action plan and timeline for the transition by 31 December 2010 to successor arrangements for the Development Fund for Iraq and International Advisory and Monitoring Board that will enable Iraq to meet its obligations as established in the provisions of Security Council resolution 1483 (2003), paragraph 21.

I should be grateful if you would have the present letter and its enclosure circulated to the members of the Security Council as expeditiously as possible.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Hoshyar **Zebari**
Minister for Foreign Affairs
Republic of Iraq

Enclosure

Introduction

This report is presented pursuant to paragraph 5 of Security Council resolution 1905 (2009), which requests the Government of Iraq to present a quarterly report through the President of the Committee of Financial Experts, with the first no later than 1 April 2010.

1. Plan and timeline for the transition to alternative arrangements for the Development Fund for Iraq

A plan and timeline for transition to alternative arrangements for the Development Fund for Iraq were prepared. They will ensure transition by 31 December 2010 to a successor mechanism that will include external auditing arrangements and enable Iraq to meet its obligations as established in the provisions of Security Council resolution 1483 (2003), paragraph 21.

The main features of the action plan that will go into effect on 1 January 2011 are designed to maintain the current mechanism to the extent permitted by international resolutions, while noting guarantees for Iraqi assets. Set forth below is a summary of the plan and a timeline for implementation.

To be implemented by or before	*Measure*
Before April 2010	Action plan and timeline to be submitted by the Government of Iraq to the Security Council or any other relevant United Nations body.
April 2010	Government of Iraq to respond to any queries raised by the Security Council or any other relevant United Nations body regarding the action plan presented.
Before 1 May 2010	Government of Iraq to obtain preliminary support of Federal Reserve Bank for its desire to continue to use the current mechanism as a basis for the post-31 December 2010 period.
Before June 2010	Government of Iraq to complete its endeavours to determine the legal immunities to be granted to Central Bank of Iraq reserves and Iraqi Government assets, in accordance with the jurisdiction of the States in which Iraq intends to open accounts after 31 December 2010.
15 June 2010	Government of Iraq, in accordance with the recommendation of the Committee of Financial Experts, to select an independent international auditor that will be responsible for auditing the successor entity to the Development Fund for Iraq.

To be implemented by or before	*Measure*
Before 1 July 2010	Ministry of Finance and Central Bank of Iraq, in consultation with the International Monetary Fund, to make arrangements with selected foreign central banks to hold the accounts referred to above.
Before 1 August 2010	Government of Iraq to submit a report on its efforts to finalize foreign claims on the Government or its institutions.
November 2010	Government of Iraq to present a report on its efforts to settle outstanding claims in accordance with Paris Club conditions.
December 2010	Committee of Financial Experts to take over duties and files of International Advisory and Monitoring Board.

2. Status of debts and Iraqi Government programme

The Government of Iraq is continuing to settle all the debts and claims that it inherited from the previous regime, and will continue to do so until such time as they are all dealt with. We request the international community to continue to provide assistance until the Government of Iraq has completed its endeavours in that regard.

Subsequent to the agreement concluded in November 2004 between Iraq and a group of Paris Club creditors regarding the restructuring of debts owed to those countries dating from the Saddam era, Iraq produced an extremely precise programme for the identification of all commercial creditors from that period and put forward proposals for the settlement of debts to those creditors on terms comparable to those agreed with the Paris Club with regard to current net value.

Paris Club

Iraq has signed bilateral debt restructuring agreements with each of the 18 members of the Paris Club whereby it will settle more than $51.1 billion of debts from the Saddam era outstanding to those countries.

Bilateral agreements with countries other than Paris Club members

In 2003, the International Monetary Fund conducted a field survey from which it appeared that some 55 States which are not members of the Paris Club have presented claims against Iraq that date back to the Saddam era. Beginning in 2005, Iraq contacted those countries, which were seeking to settle their claims against Iraq on terms similar to those agreed with the Paris Club. Of the 55 countries which are not members of the Paris Club, Iraq has successfully concluded bilateral agreements for the resolution of debt issues with all but the following 13: Algeria, Brazil, Egypt, Jordan, Kuwait, Morocco, Pakistan, Poland, Qatar, Saudi Arabia, the Sudan, Turkey and the United Arab Emirates. Some $19.5 billion of debt owed to States which are not members of the Paris Club has been rescheduled or settled since 2005.

The Ministry of Finance and the Central Bank of Iraq are taking determined action with a view to settling the debt owed to those countries. The United Arab Emirates has announced the write-off of 100 per cent of the debt owed to it by Iraq, and an agreement in confirmation of that announcement will be signed by officials of both States. Morocco is considering the possibility of writing off 100 per cent of the debts owing to it, and a draft bilateral agreement has been dispatched. Most of the outstanding debt of the remaining countries has been reconciled. However, dates for the signature of those agreements have not been determined, or replies have not yet been received: Iraq is following up through delegations or contacts with officials in those countries.

Commercial creditors

In December 2004, Iraq invited all commercial enterprises that have claims on Iraqi Government departments and public sector institutions to register their claims with Ernst and Young, the agent for the reconciliation of Iraqi debt. A process of settling claims from the Saddam era was conducted on the basis of financial criteria comparable to the terms agreed with the Paris Club with respect to current net value. Some of the commercial creditors agreed to Iraq's debt reconciliation proposals and to date, more than 13,160 individual claims with a total value in excess of $20.9 billion have been reconciled. The process of reconciling Iraq's commercial debts continues.

A limited number of international commercial creditors' claims registered under the programme were rejected or ignored. We believe that those debts amount to some $629 million. It is possible that the other commercial creditors were unsuccessful in registering their claims. However, Iraq has no information on the number of claimants, if any, who fall into this category.

With a view to settling the remaining commercial debts, Iraq has inaugurated new schemes whereby each creditor may submit its claim to Ernst and Young, the agent for the reconciliation of Iraqi debt, for reconciliation. Those claims will then be settled in accordance with the Paris Club agreement, either in the form of a cash payment representing 10.25 per cent of the outstanding claim or in the form of bonds with a face value of 20 per cent of the old debt, which will be paid in semi-annual instalments over 17 years.

A number of creditors have come forward and their claims have now been reconciled and are in the process of being settled. Genuine follow-up is continuous, with a view to persuading all commercial creditors to accept settlement.

The Government of Iraq affirms its commitment to settle all debts and claims inherited from the former regime, and to continue to deal with them until all have been cleared. It requests the international community to continue to provide assistance until the Government of Iraq has completed its endeavours in that respect.

Evaluation of the progress made in strengthening Fund administrative and financial oversight

With a view to carrying out an objective evaluation of the progress made in respect of financial and administrative oversight systems at the international level, a set of quantifiable goals were formulated which, when achieved, will lead to

fundamental and significant progress in the whole financial and administrative oversight system. Those goals are summarized below:

1. Completion of the promulgation of laws regulating executive ministries, completion of their organizational charts and identification of their job positions.

2. Adoption of a job description for each post that will include education, experience, responsibilities and authorities.

3. Introduction of the law concerning the establishment of the central public service council in order to ensure that the public job will be filled according to the determined specifications, equitably and transparently.

4. Completion of information systems at the state level, in order to provide comprehensive and timely reports which will ensure that pre- and post-audit of public expenditure is effective.

5. Gathering the unified financial instruction at the level of the State to govern the collection and spending the public fund.

6. Finalization of a comprehensive metering and calibration system for crude oil production, distribution and export standards.

7. Itemizing all Iraqi property outside the country and establishing a complete database on that property, to be collected by a central body.

8. Finalization of State final financial statements, delayed from previous years, audit and submission thereof to the legislative authorities.

9. Follow-up of the settlement of observations of the Development Fund for Iraq auditors and continuing the mechanism of follow-up of the Committee of Financial Experts.

Specialized committees have been established within each ministry in order to achieve the above-mentioned goals that lie within their authorities. The general secretariat of the Council of Ministers will ensure that deadlines for completion are met.